12 September 2015

Eurogroup statement on Cyprus

The Eurogroup welcomes the successful conclusion of the seventh review mission in the context of Cyprus' macroeconomic adjustment programme, which took place in July. The fiscal developments continue to exceed expectations, the financial situation of the banks is showing signs of gradual improvement and some progress has been noted on important growth-enhancing reforms. The Eurogroup is encouraged that the economic recovery in Cyprus is gaining strength, the labour market showing signs of stabilization, although unemployment remains at a high level, and that the economy showed overall resilience in the past months.

The Eurogroup recalls that addressing the excessive level of non-performing loans remains a top priority for Cyprus in order to reignite credit growth and ensure that banks continue to improve their resilience. In this regard, we stress the importance of an effective implementation of the recently enacted insolvency legislation and of the enhanced foreclosure framework, together with other measures adopted recently to speed up the reduction of arrears. The determined pursuit of financial sector reforms, including legislation to facilitate the sale of loans, remains necessary to secure a decisive reversal of the non-performing loan trend.

The Eurogroup commends the Cypriot authorities for the progress that has been made to date, and calls on them to keep up the reform momentum. The timely implementation of the growth-enhancing reform agenda, including privatisation and public administration reform, is essential in order to restore Cyprus' growth potential, while safeguarding the protection of the most vulnerable groups.

The Eurogroup agrees to endorse in principle the updated Memorandum of Understanding as well as the disbursement of the next tranche of financial assistance to Cyprus. We consider that the necessary elements are now in place to launch the relevant national procedures, paving the way to the formal approval by the ESM governing bodies of a disbursement of EUR 500 million in October. Concurrently, the IMF Executive Board is expected to decide on the disbursement of about EUR 125 million.